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Acquisition streamlining and reform : an analysis of Alpha Acquisition at the Naval Air Systems Command

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**ACQUISITION STREAMLINING AND REFORM: AN ANALYSIS OF
ALPHA ACQUISITION AT THE NAVAL AIR SYSTEMS COMMAND**

by

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Submitted in partial fulfillment
of the requirements for the degree of

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ABSTRACT

Streamlining the acquisition process is a goal of every procurement command. Less lead time to provide a system to the customer can only lead to better customer satisfaction and customer relations. This thesis investigates and explores some of the various ways DOD is working to incorporate improvements and adapting to a changing environment through acquisition streamlining and acquisition reform. The main thrust of the thesis is an analysis of an initiative the Naval Air Systems Command has named "Alpha Acquisition." Alpha Acquisition is an initiative to streamline the acquisition process by the coordination of the Government and the contractor into one organized group with the objective of getting under contract for a specific procurement in the shortest time possible and at a fair and reasonable price. This thesis analyzes the advantages and drawbacks of Alpha Acquisition and where it stands in the streamlining and reform process.

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I. INTRODUCTION

A. PURPOSE OF THE RESEARCH

The Department of Defense (DOD) is by far the largest and most complex business organization in the world. It administers more than 15 million contracts per year and develops and produces some of the most complex weapon systems equipment in the world. For any organization to thrive, it must constantly be adapting to environmental changes and striving to be as efficient and results-oriented as possible. The goal of this thesis is to explore some of the various ways DOD is working to incorporate improvements and adapt to a changing environment through acquisition streamlining and reform.

B. SCOPE OF RESEARCH

The main thrust of the thesis will be a discussion of acquisition streamlining and reforms in today's environment, with an analysis of the Naval Air Systems Command's (NAVAIR) "Alpha Acquisition." It will briefly review the past, present and future of acquisition streamlining and reform, and will show how NAVAIR came up with a new solution to acquisition streamlining.

C. RESEARCH QUESTIONS

The following research questions were addressed during this research.

1. Primary Research Question

What affect could Alpha Acquisition have on the streamlining procedures being implemented at contracting facilities today?

2. Subsidiary Research Questions

- 1) What is Alpha Acquisition and how did it come about?
- 2) What significant role can this method of contracting play in Acquisition streamlining efforts currently being undertaken by contracting organizations today?
- 3) What are the lessons learned thus far from the application of Alpha Acquisition?
- 4) How might these lessons be effectively applied to other procurement organizations?

D. RESEARCH METHODOLOGY

The research methodology employed during this study encompassed two primary efforts.

1. Literature Review

An extensive review of the available literature related to acquisition streamlining and acquisition reform was conducted with materials obtained from the Dudley Knox Library, and the Defense Logistics Studies Information Exchange (DLSIE). Additionally, a review of defense regulations and supplementary directives, previous theses, and current publications and periodicals relating to acquisition

streamlining and reform was also performed. The literature review was conducted to determine the extent and scope of acquisition streamlining and reform, and to obtain background information on the history and difficulties being faced in today's procurement environment.

2. Interviews

A series of interviews were conducted with several organizations but primarily with NAVAIR personnel. Interviews were conducted instead of surveys because of the extent of information needed to piece together the background of Alpha Acquisition and because of the immediacy of information becoming available on the issue of acquisition reform. The interview process provided the opportunity to probe deeper into complicated areas and to provide immediate feedback on the issues. Initial interviews were conducted by phone due to the vast geographic area covered. The majority of interviews were conducted personally, during a research trip to Washington, DC in October 1994. These interviews were conducted to ascertain, what Alpha Acquisition was and its origin, and whether or not it would fit into the current acquisition reform movement and streamlining initiatives.

E. LIMITATIONS AND ASSUMPTIONS

Acquisition streamlining and reform are extremely vast topics with unlimited areas for research. This thesis will focus only on the initiatives at NAVAIR to streamline the acquisition process and evaluate where they fit into the overall reform movement of DOD and the Federal Government. One other example of streamlining by an agency other than NAVAIR will be reviewed but only to show the reader that other agencies are effectively embracing the idea of streamlining.

This study will not cover other possible solutions to streamlining and reform, other than the recommendations given during the analysis of Alpha Acquisition.

For the purpose of this study, it is assumed that the reader is generally familiar with the procedures and terminology used in the Federal Government contracting environment.

F. ORGANIZATION OF THE STUDY

Streamlining the acquisition process is a goal of every procurement command. Less lead time to provide a system to the customer can only lead to increased customer satisfaction, and accordingly better customer relations. The normal procurement process for a major system is a long, drawn out process that is approximately 360 days in most cases, and can sometimes be even longer. This thesis will explore the concept of Alpha Acquisition as it applies to acquisition streamlining. NAVAIR defines Alpha Acquisition as a:

Naval Air Systems Command initiative to streamline the acquisition process by the coordination of the Government and the contractor into one organized group with the objective of getting under contract for a specific procurement in the shortest time possible and at a fair and reasonable price.

[Ref. 1]

It is an agreement to put adversarial differences aside and work closely toward their one common goal. This particular streamlining of the contract process was developed during a procurement at NAVAIR in April 1993. This thesis will conduct an analysis of Alpha Acquisition and evaluate where it stands in the streamlining process. In order to accomplish this task, the thesis will first look at a brief history of acquisition streamlining.

Chapter II, "Acquisition Streamlining," will provide a brief history of previous attempts to streamline the acquisition process. Historically, acquisition streamlining has been a concept designed to allow Total Quality Leadership (TQL) to seep into acquisition, by streamlining the long complicated process into fewer steps and or reviews in order to achieve improved quality and shorter lead times. Chapter II will explore the issue of acquisition streamlining today and provide an example of an agency that has embraced streamlining and the benefits streamlining has provided to that agency.

Chapter III, "Alpha Acquisition at the Naval Air Systems Command," will discuss how one Navy procurement organization, NAVAIR, was able to overcome mindblocks to change and incorporate an improved acquisition process they have named, Alpha Acquisition. An indepth analysis of Alpha Acquisition is included to provide as much information on the advantages and disadvantages of Alpha Acquisition.

Chapter IV, "Acquisition Reform," will discuss the recent movement to reform the acquisition process and how it applies to an individual organization's streamlining efforts, such as NAVAIR's. Another example of acquisition reform at NAVAIR will be explored to show the potential of an individual organization to reform the process on their own.

Chapter V, "Conclusions, Recommendations and Areas of Further Research," presents the conclusions and recommendations of the researcher, as well as areas for further research.

II. ACQUISITION STREAMLINING

Acquisition is a team effort rather than the sole domain and responsibility of the procurement community -- Tom Deback, NASA Headquarters

A. INTRODUCTION

Acquisition Streamlining is not a new idea. It has been discussed and debated by DOD personnel as well as by the public for decades. Acquisition Streamlining involves taking action to preclude or eliminate the non-cost-effective requirements of the acquisition process. [Ref. 2:p 9] Acquisition Streamlining was originally conceived as a means to improve the use of specifications and standards in contracts awarded by the Government. It is also defined as tailoring contract requirements to fit unique circumstances of an acquisition process and limiting the contractual applicability of referenced documents to only those that are essential. In order to illustrate the course of events that has lead to the present position of Acquisition Streamlining, a brief history of the chain of events in Streamlining's past is helpful and necessary. This knowledge will provide the basis for a better understanding of the magnitude and complexity of the acquisition process.

B. BACKGROUND

The current acquisition reform movement can trace its roots as far back as the mid-1970's. In 1977, the Shea Task Force was formed by the Defense Standardization Board (DSB)

for the express purpose of examining the effect of specifications and standards on the cost of material and its acquisition. The Task Force concluded that while their contents created no problems, the extent to which they were applied and enforced in Requests For Proposals (RFPs) did affect the cost of the item being purchased. [Ref. 3:pp. 6-11]

Thus in 1977, the Deputy Secretary of Defense promulgated a DOD Directive (DODD 4120.21) to govern the application of specifications, standards, and related documents in the acquisition process.

In the 1981, the Defense Acquisition Improvement Program, which included the 32 Acquisition Initiatives of Deputy Secretary of Defense Frank C. Carlucci, was instituted. This program called for improving all contract requirements, not merely the specifications (specs) and standards. It addressed the problem that requirements were too frequently imposed in blanket fashion early in a program which constrained the design and/or contract procedures. Initiative Fourteen specifically discussed the need to streamline the acquisition process and resulted in the elimination of 31, of the then current 132, procurement related DOD Directives. Additionally, numerous contractual elements and documentation requirements described in various publications were found to be cost-ineffective and were subsequently cancelled. [Ref. 2:pp. 30-32]

In 1985, the reform process was highlighted by several well-publicized accounts of fraud, waste and abuse. In response, an updated version of DOD Directive 5000.1 was published which advocated the use of common sense and called for the following:

The acquisition strategy developed for each major system acquisition shall consider the unique circumstances of individual programs. Programs shall be executed with innovation and common

sense. To this end, the flexibility inherent in this Directive shall be used to tailor an acquisition strategy to accommodate the unique aspects of a particular program.[Ref. 4]

Also in 1986, DODD 5000.43, titled "Acquisition Streamlining," was published in order to provide guidance for the Acquisition Streamlining Initiative (ASI). ASI was instituted as an acquisition streamlining initiative directed toward remedying the still existing problems. It was based on the concept that the application of pertinent contract requirements and early industry involvement was crucial in recommending the most cost-effective solutions to design and production needs. [Ref. 3:pp. 11-13] According to DODD 5000.43, the first priority of acquisition streamlining is to streamline solicitations and contract requirements by:

...specifying performance requirements in terms of results desired rather than in terms of how to provide them; precluding premature application of design solutions, specifications, and standards; tailoring contract requirements to unique program circumstances; and limiting the contractual applicability of referenced documents.[Ref. 5]

This directive was instrumental in promoting the development of innovative and cost-effective requirements and acquisition strategies that result in efficient utilization of resources to produce quality weapon systems and products. [Ref. 5]

Also in 1986, the President's Blue Ribbon Commission on Defense Management was directed to analyze the budget process, legislative oversight, and the entire defense acquisition system, and to make recommendations on how to correct the deficiencies. The commission published its report to the President in June 1986 in a report titled: A Quest for

Excellence: Final Report to the President. The Commission determined that the major underlying cause responsible for the procurement problems encountered during the analysis was:

...the defense acquisition system had basic problems that had become deeply entrenched over several decades by an increasingly bureaucratic and overregulated process. As a result, the defense acquisition system produced weapon systems that cost too much, took too long to develop, and by the time they were delivered, incorporated obsolete technology. [Ref. 6:p. 10]

The commission made recommendations on DOD Acquisition procedures and organizational issues including:

...the development of acquisition organizations with short, unambiguous lines of authority to streamline the acquisition process and cut through the red tape; the establishment of procedures for ensuring better decisions on weapons requirements and for selecting programs for development based on early tradeoffs between cost and performance, and the increased use of commercial-style competition, commercial practices, and commercial products. [Ref. 6:pp 10-12]

In 1991, the National Defense Authorization Act declared that the time had come to start the process of rationalizing, codifying, and streamlining the body of acquisition laws. This Act also chartered the Section 800 Panel to develop recommendations on streamlining and codifying acquisition law. The report was to be a practical plan of action for moving from present law to an understandable code, and was to contain specific recommendations to Congress to:

...eliminate any laws "unnecessary for the establishment of buyer and seller relationships in procurement", ensure the

"continuing financial and ethical integrity" of defense procurement programs; "protect the best interest of the Department of Defense"; and "prepare a proposed code of relevant acquisition laws". [Ref. 7:p. 1]

The panel presented a considerable number of recommendations to Congress in January of 1993 in a full report of over 180 pages, which was the result of a massive review effort. The panel reviewed all laws affecting DOD procurement, "with a view toward streamlining the defense acquisition process." [Ref. 7]

In October 1994, the Federal Acquisition Streamlining Act of 1994 (FASA-94) was signed by President Clinton. This Act, aimed at reducing paperwork, repealed over 225 provisions of law which affect the acquisition system. It established a "simplified acquisition threshold" of \$100,000 in an effort to streamline the process of small purchases and established Electronic Commerce Procedure (ECP) requirements. ECP is the establishment of a computer-based source of information readily available to Government and private sector users. It also requires acquisition agencies to focus on performance-based and result-oriented management concepts and personnel policies, with emphasis on addressing problems in meeting cost, schedule and performance goals. [Ref. 8]

C. STREAMLINING TODAY

Secretary of Defense William J. Perry has defined DOD goals to improve the streamlining of the acquisition process, by focusing on continuous process improvement, and ensuring that the acquisition process is responsive to customer needs in a timely fashion. He believes DOD should provide incentives for acquisition personnel to be innovative, while

providing appropriate guidance and the benefit of "lessons learned" in the past. Mr. Perry believes this is accomplished by tailoring acquisition policies and processes to the type of acquisition, rather than the current "one-size-fits-all" or "menu" approach, by providing "alternative acceptable approaches" rather than mandatory policies, and by providing as much guidance as possible in the FAR or DFARS, rather than individual organizational supplements. [Ref. 9:p. 12]

Even with all these initiatives to improve the acquisition process, the need for contracts to be issued with greater and greater speed still prevails. In order to meet necessary and required delivery dates on long-lead time items, such as aircraft engines or frames, procurement officials continue to face the challenge of the need for high quality contracts to be awarded much faster than current procedures permit. One of the most frustrating challenges for a buying organization in procurement today, is the customer presenting a procurement request which for an item, to meet other production deadlines, should have already been awarded.

D. INDIVIDUAL EFFORTS

Individual agencies and commands have looked at the issue of acquisition streamlining and developed their own guidance to deal with the daily issues they face. One such agency is the National Aeronautics and Space Administration (NASA). In 1989, a task group was formed at the direction of Stuart Evans, assistant administrator for procurement at NASA. [Ref. 10:pp. 4-7] His goal was to identify ways to streamline the acquisition system at NASA. The task group consisted of headquarters and center procurement and technical professionals. They were tasked with this challenge: What

could be done within NASA to streamline the acquisition process without degrading the quality of procurement.

The NASA task group findings were not startling and for the most part every idea was being implemented in some way or another already at NASA. The 16 best ideas were chosen and they have become the "heart" of NASA acquisition streamlining policies. The following are the 16 suggested techniques adopted by NASA:

- (1) Use acquisition strategy meetings and establish pre-agreements on schedule.
- (2) Establish page limitations on solicitations and proposals.
- (3) Keep source selection official authority at lowest reasonable level.
- (4) Limit evaluation subfactors and elements to "key swingers."
- (5) Limit the size of Source Evaluation Boards (SEB).
- (6) Use solicitation Review Boards.
- (7) Use oral presentations to the SEB.
- (8) Limit field pricing and audit support requirements as much as possible.
- (9) Use "subject to" headquarters approvals.
- (10) Limit consensus reviews at headquarters.
- (11) Expand the use of NASA Research Announcements.
- (12) Increase delegations of authority.
- (13) Improve SEB presentations.
- (14) Enhance SEB membership.
- (15) Improve formal program direction.
- (16) Establish formal SEB training. [Ref. 10:pp. 4-7]

NASA realized that these changes were "cultural" changes, which required people to be trained, managed, motivated, and rewarded in an effort to make the system more responsive and efficient. The results of these improvements were

significant. The length of RFPs dropped from 465 pages in 1987, to 262 pages in 1991. The average lead time from proposal receipt to award dropped from 384 in 1987, to 214 days in 1991. NASA believes these reductions are results of the entire organization wholeheartedly embracing streamlining and making the most of the opportunities their streamlining initiatives offered. The results of acquisition streamlining within NASA have been very positive and are not considered to be a "one time" effort. They have shown that if broad base input is sought, if upper management is involved, and everyone is willing to commit to the acquisition system, then streamlining can be managed effectively.

E. SUMMARY

The DOD has placed a great deal of effort into the improvement of the acquisition process over the past two decades. These efforts have been driven by both internal and external forces and have resulted in an improved system. However, the acquisition system is still faced with problems, some of which appear to be deep-rooted in the laws and regulations that are imposed by the Government. It has become evident that the acquisition process is still in need of streamlining initiatives, even today. Some organizations and agencies have taken it upon themselves to streamline the system and attempt to improve the acquisition process.

A command within the Department of the Navy that has taken on the challenge of streamlining the acquisition process is the Naval Air Systems Command. They have come up with a new initiative called Alpha Acquisition. Alpha Acquisition is a NAVAIR initiative to streamline the acquisition process by the coordination of the Government and the contractor into one organized group, with the objective of getting under contract for a specific procurement in the shortest amount of time

possible and at a fair and reasonable price. (Ref. 1) Chapter III describes the implementation and success of Alpha Acquisition at NAVAIR.

III. ALPHA ACQUISITION AT THE NAVAL AIR SYSTEMS COMMAND

Let's work smarter, not harder - Tom Florip,
Division Director, ASW, Assault, and Special
Mission Programs Contracts Division, Naval Air
Systems Command [Ref. 11]

A. INTRODUCTION

Streamlining the acquisition process is a goal of every major procurement command, even more so with present day defense cutbacks. Procurement commands are faced with less manpower and an unchanged workload. The normal procurement process for a major system can be long and drawn out, 360 days in most cases and sometimes even longer. The length of the procurement process has a direct impact on fleet readiness and the cost of procurement. This chapter is a case study on how NAVAIR sought to modify its current procurement system in order to avoid a letter contract on one specific procurement. The procurement environment was primed for their shortcut approach. All that was required was the first step to be taken by NAVAIR. That first and largest step was the decision to have every player get on board and do all that was required to initiate this condensed process.

In an effort to further reduce the contracting process for critical contracts, NAVAIR formulated an approach to the contract award process, they termed "Alpha Acquisition." Alpha Acquisition involves taking action to preclude or eliminate non-cost-effective requirements. Alpha Acquisition is based on the concept that by applying pertinent contract requirements and allowing early industry involvement in recommending the most cost-effective solutions, a procurement organization can reduce the cost and/or time of system

acquisition and life cycle cost without degrading system effectiveness. [Ref. 2:p. 4] It is based on a team approach, in the true sense that all the players, industry and Government, are on the same side, working for the same goals. It is also based on the theory that once the barriers of an "us versus them" mentality are removed from the process, solutions to solving long procurement lead times will evolve naturally.

The length of the entire contract process as well as the quality of the procurement process, has been the focus of the Command. Alpha Acquisition though born out of necessity, is an example of how procurement organizations can find effective solutions to everyday procurement problems.

B. BACKGROUND

In April 1993, The Naval Air Systems Command was faced with planning delays in the procurement for the LAMPS MK III SH-60 Block II/Multi Mission Helicopter Upgrade. If the procurement was not awarded and funding obligated before the end of the fiscal year, NAVAIR stood to lose \$200 million dollars in funding for the program. Money that is not obligated at the end of the fiscal year for a program is typically interpreted to be a non-critical requirement and better spent on other "more critical" programs. The upgrade combined new and modified subsystems into an integrated SH-60 series aircraft which would improve fleet readiness and capabilities.

Usually any delays would lead to the prospect of issuing undefinitized, ceiling-priced contract actions called letter contracts for the effort, with definitization of such efforts historically occurring up to a year after initial contract award. If this occurs, the contractor is motivated to delay

contract price finalization so that his actual costs collected data can then be used vice cost estimates thus minimizing his contractual risk and NAVAIR's negotiation leverage.

Faced with this predicament, the Air Aviation-Surface Warfare (ASW), Assault, and Special Mission Programs Contracts Division (AIR-215) decided to "redefine the way we conduct business in order to allow the award of a fully priced contract within a time frame necessary to ensure timely program initiation." [Ref. 12] Knowing the potential for loss of the requisite funding, upper management on both sides of the contract decided immediate action was necessary. The normal contract process was not going to be effective in this situation and a special effort was going to be required to meet an agreement before the expiration of the funds. International Business Machines Corporation, IBM, of Owego, New York, (the sole-source due to proprietary constraints) was notified of the time deficiency and was asked to make every effort to help NAVAIR award the contract on time. IBM agreed to make their personnel readily available to ensure the time constraints could be met. A team effort from both sides of the contract was required as well as cooperation from the Defense Contract Audit Agency (DCAA), the Naval Supply Systems Command Price Fighters, Defense Contract Management Command (DCMC) and the Naval Air Systems Command SH-60 Program Office.

Concurrent efforts and decisions would be required to meet the time frame, as well as continued support from upper levels of management at all activities. The contract was for the engineering and manufacturing development and integration of block II hardware and software efforts for the LAMPS MK III SH-60 Helicopter. The design effort was initiated under a prior existing Basic Ordering Agreement (BOA). If successful, this acquisition would lead to a common airframe and core

architecture for both the LAMPS MK III and CV helicopter missions if successful.

Although the requirement for the Block II had been in the works for over a year, many delays had cost the program office valuable time. It was not until 7 May 1993, that the final draft of the Request for Proposal (RFP) was completed and sent out. IBM agreed to submit draft sections of their proposal to the Navy as it was developed instead of after submission of a complete proposal. Submission of portions of draft proposals is unusual, but it allowed the Navy to begin its analysis prior to the completion of the formal proposal. IBM submitted their complete, formal proposal on 11 June 1993.

Once the Navy began receiving draft portions of IBM's proposal, a joint review team began to analyze it. This team consisted of individuals from the Program Office (PMA-299), Naval Supply Systems Command Price Fighters (Price Fighters), Defense Plant Representative Office (DPRO), Defense Contract Audit Agency (DCAA) and NAVAIR-02 contract negotiators. The joint review team continued to review the full proposal after receipt of the formal proposal on 11 June 1993. DCAA provided Forward Pricing Rate Agreement (FPRA) rates and reviewed proposed rates and material. DPRO reviewed proposed labor rates with the technical assistance of NAVAIR contract specialists. The Price Fighters performed pricing and data analysis.

The entire review process was coordinated by the NAVAIR class desk. The class desk is the technical team leader and all technical questions were processed through him. The negotiators, with the aid of this joint review team, were able to acquire enough information in all areas to develop a position. Between 14 June and 1 July 1993, the entire review team performed an intensive review at the contractor's facility. The contractor made available all necessary personnel to answer the fact-finding questions and provide any

assistance required by the review team. Many engineering and labor distribution hours were reviewed, questioned and in some cases deleted. These deletions were based on the Government's technical expertise, IBM's historical performance and IBM's inability to support those hours. [Ref. 1]

On 1 July 1993, all pricing, technical and audit reports were completed, and the fact-finding trip was complete. On 21 July 1993, an updated and descoped proposal was submitted and negotiations began. Negotiations were completed on 13 August 1993. On 23 August 1993, a Cost-Plus-Fixed-Fee (CPFF) contract was awarded to IBM. Profit was negotiated at eight percent. [Ref. 1]

No waivers of any type were requested on this contract. All milestones were completed and approved including a Small Business Plan, an Acquisition Strategy Report, an Acquisition Plan, a sole-source Justification and Approval and the necessary Determinations and Findings.

The Naval Air Systems Command started to call this process of condensing the procurement process, "Alpha Contracting," but after a few months the term was changed to "Alpha Acquisition." The name Alpha Acquisition was adopted by NAVAIR because CAPT Scott Parry, Director of Contracts at NAVAIR, believes in its application to the entire acquisition process. In an interview with the researcher, CAPT Parry said, "the name has been changed to reflect our commitment to the entire process and not just the contracts part of an acquisition." [Ref. 13] The Naval Air Systems Command feels that Alpha Acquisition is the first procurement of its kind to link the Government and the contractor into one organized group through the coordination of the acquisition process. [Ref. 14] Mr. Ron Ostrum, the contracts specialist on the program praised IBM for its efforts in the process.

IBM was onboard with this process from the start. They wanted to make it work and help at every corner. An IBM Vice President even came up with the initial term "Alpha Contracting" in a conversation with VADM Bowes, the Commander of the Naval Air Systems Command. IBM was unhappy with the contracting process and its length, and wanted to be in on something new and creative. IBM was willing to help develop a new more innovative way of getting to contract award. By cooperating with us, they made the process work." [Ref. 1]

C. ANALYSIS

1. The Process

NAVAIR felt the minimum Procurement Administrative Lead Time (PALT) in this contract was the major achievement of its award. The normal process on this type of major systems procurement is approximately 360 days. [Ref. 15] Figure 1 shows the normal process as compared to the 108 days taken in the Alpha Contracting Process. Figure 1 is intended as a guide to contract specialists in the setting of milestones in the completion of the contract process. It is not intended as a standard that will be completed ontime during every contract award. The comparison between the normal process and Alpha Acquisition process is approximately one third less time to process. [Ref. 15]:

Normal Process

<u>Procurement Request Development</u>	<u># of days</u>	<u>Total Days</u>
Initiate first draft of SOW Specs	30	30
Command Input	30	60
Consolidate responses	14	74
Formal Command Review	30	104
Data Review Board	7	111
Incorporate changes	14	125
Procurement request (PR) to contracts	1	126

Procurement

Receipt of PR and assign PCO	1	1
Synopsis and Justification & Approval	45	46
Draft Request for Proposal (RFP)	15	61
Obtain Legal review	5	66
J&A Approval	1	67
Release RFP	1	68
Receive proposal	90	158
Evaluate proposal	90	248
Obtain field pricing reports	15	263
Pre-negotiations approval	15	278
Negotiations	30	308
Post-negotiations approval	30	338
Final draft of contract	15	353
Award	1	354
Congressional notification	3	357
Print & distribute contract	2	359
Release contract	1	360

Figure 1. Normal Contract Process. [Ref. 15]

The Alpha Acquisition contracting cycle was as follows:

Receipt of PR and assign PCO	22 April 93
Final Draft RFP	07 May 93
Original Proposal Submitted	11 June 93
Pricing/Technical/Audit Reports Completed	25 June 93
Updated/Descoped Proposal	20 July 93
Negotiated Agreement	13 August 93
Definitized Contract Award	23 August 93

The contract award turnaround time from proposal submission to contract award was 73 days. Turnaround time from receipt of draft RFP to contract award was 108 days.

Many of the steps taken during the contract award of the LAMPS BLOCK II EMD were consolidated and completed with emphasis on ensuring that duplication of effort be avoided at all costs. This includes duplication of effort by the separate commands on the review team. Having each of the participating parties represented during the two week fact-finding tour, followed by a joint review at the site, helped to minimize any duplication of effort.

Early in the process NAVAIR, DPRO, DCAA, the PRICE FIGHTERS and IBM established a standardized proposal and spreadsheet format which contributed to the minimization of duplication of effort. Consequently, the contract specialist received only one technical input and one cost and pricing audit input, prepared on a common, standardized spreadsheet. This eliminated much of the duplication of effort that takes place on many normal contracts. It also allowed for real time utilization of data and inputs.

The Naval Air Systems Command had established an excellent working relationship with the other agencies involved in the procurement which allowed the other agencies to feel they could agree to the short lead times. A preliminary schedule was developed and made public to ensure that everyone involved knew the parameters of the time involved. By making this schedule public it forced the other agencies to stay onboard with the requirements in the published administrative lead times. The key was the free dialogue between all the parties that participated and the atmosphere of a willingness to do whatever was needed to achieve the end goal. Every party was truly committed, not just "paying lip service" to the effort. Many times agencies claim to be committed and usually are at higher management

levels, but the mid-to-lower level workers, tasked with the real work in carrying out the plan, may lack the same enthusiasm.

NAVAIR established its good working relationship by the deliberate expenditure of much time and effort fostering solid working relationships within its matrix organization and with other agencies and contractors. One program developed by NAVAIR is a NAVAIR/DCAA Liaison, which keeps track of the number of audits and the progress being made on NAVAIR programs which helps trouble shoot any problems. The DCAA representative has an office within NAVAIR Contracts' spaces for this purpose. The physical presence of such a liaison helps foster a greater understanding between the agencies.

In an interview with the researcher, Mr. Bruce Cwalina, the NAVAIR-215 Branch Head, responsible for the acquisition, said:

In a nutshell this approach involves the integration of all the players; the Navy, the contractor, the Defense Contract Management Command's Plant Representative Office (DPRO), field activities, and the PRICEFIGHTERS into a cohesive team to review the contractor's proposal section by section as they become available, vice waiting for a formal proposal submittal. Optimally the review would take place during the preparation of each individual section. [Ref. 12]

Another factor in the short turnaround time for the contract award was that advance discussions were held with the contractor concerning the terms and conditions of the contract. Issues were resolved as they surfaced, vice after receipt of the final RFP by the contractor who would then submit reports to the PCO. Subsequently, the PCO would review the reports and eventually, during negotiations, raise the issue with the contractor. These advance discussions allowed the contract negotiators to concentrate solely on cost and price analysis once the pricing proposal was submitted. Many

of the terms and conditions of the contract were agreed upon before the price negotiations began with the contractor, which allowed a feeling of accomplishment to be present as negotiations were underway. The contract specialist started working on these terms and conditions as soon as the final draft RFP was completed.

One critical factor in the success of the new process was the upfront agreement on the Statement of Work (SOW) and specifications. It might seem that this step would be obvious, but frequently, the urgency of letter contracts or undefinitized contract actions, results in less than fully reviewed specifications. The lack of quality often can come back to haunt the contract specialists after contract award, and not only require more time and effort to fix, but the Government's best contractual interests can be compromised as well. The quality of requirements definition is sometimes sacrificed to the expediency of awarding a contract. In this case, NAVAIR did not allow this to happen. Technical personnel locked in a quality SOW and specifications early, making it easier for pricing personnel to determine the appropriate cost of each specific task. A finalization of the SOW was done through concurrent effort in both the preparation and review phases by both the Government and IBM to ensure there was a clear understanding of the requirement and the RFP.

This type of interaction between the PCO and the contractor during the drafting of terms and conditions and SOW could be done with IBM because it was a sole-source contract. If there was potential for multiple bidders or offerors, such interaction at these stages would not always be feasible.

The commencement of the review of the contractor's proposal before it was complete was another factor in the short review time. Having the contractor to agree to partial sections of the proposal being reviewed before the entire

proposal could be submitted is an unusual circumstance. By submitting the proposal in pieces, the contractor was unable to calculate a bottom line in advance. It is unusual for a contractor's management to allow this type of commitment to an unknown bottomline and demonstrates a considerable amount of good faith on the contractor's part.

NAVAIR also shortened the lead time by delegating the NAVAIR class desk to coordinate the technical review team's efforts. The class desk then assigned each member of the Government team responsibilities in reviewing the proposal. The class desk was also responsible for the processing of all technical questions, and was the only technical individual allowed to communicate with the contractor. This ensured a single face to the contractor. NAVAIR engineers resolved engineering issues on-site, while all cost and pricing issues were handled in Washington, DC. All Requests for Information to the contractor required written responses and all responses that required further clarification were accumulated and answered at face-to-face meetings. Negotiations were held in Washington, DC, at the Naval Air Systems Command and were conducted without any type of time limits. The class desk and the contract specialist were the only members of the Government's negotiating team. Thus only one member of each discipline, technical and contracts, participated in the negotiations.

In this case, a letter contract was avoided because NAVAIR felt they could meet an agreement. Mr. Bruce Sharp, the contracting officer, stated in an interview with the researcher, "We took a chance in trusting the contractor. We were upfront and expected IBM to do the same. We had ongoing negotiations and used good business sense to ensure there was no duplication of effort." [Ref. 16] NAVAIR had to have this trusting relationship with the contractor, which is not always possible.

Often times the relationship between the Government and a contractor is antagonistic. The Government tends to consider the contractor as an opponent whose mission is to "take advantage of the taxpayer," while the contractor perceives the Government as an irrational institution, overwhelmed by regulation. Government regulations often frustrate the contractor because the Government is not always able to pay what they view as legitimate costs incurred.

In an interview with the researcher, Mr. Ron Ostrum stated:

With the reduction in manpower, we no longer have the people to handle this [contractual] workload. If we wish to make progress, we no longer have the ability to duplicate and triplicate. Once a document is typed, then it's typed that one time only." [Ref. 1]

The maximization of efforts toward efficiency and non-duplication of effort was a significant factor in the minimum PALT.

CAPT Robert Wood, Executive Director for Contracts at NAVAIR, stated in an interview with the researcher, "Alpha Acquisition is a new method of contracting, that every command needs to explore. IBM was with this process from the beginning, as well as all the other agencies. It was a concurrent effort." He also questioned the applicability of this process to other NAVAIR programs in the future. "It's a major breakthrough, but now we need to see how this process can be used in our other programs." [Ref. 14]

2. Other Organizations

Analysis of each organization's involvement in the process revealed the following:

a. DCAA

DCAA maintained that this was the first time they had been included in a negotiation so early in the process and they undererran their budget for the audit. Also, DCAA felt it was significant that their rate recommendations were utilized immediately while still current, vice negotiations occurring six months later when significant updates would occur. [Ref. 17]

b. DPRO

The DPRO maintained that while labor intensive upfront, their overall costs were significantly reduced. The reduced costs allowed them to provide concurrent effort vice waiting for proposal updates. [Ref. 17]

c. IBM

IBM's Federal Systems Division believes their costs were significantly reduced due to the one-time proposal preparation. Government concerns could be addressed upfront, reducing manpower requirements necessary to support fact-finding and negotiations. [Ref. 17]

d. NAVAIR

NAVAIR's Program Executive Office and Program Manager maintained that had the program not been fully priced and on contract in August 1993, the entire program would have been in jeopardy due to budget sweeps which would have reprogrammed the funding for the financial needs of other programs. NAVAIR's Contracts group therefore concluded that significant savings were achieved both in time and money. [Ref. 17]

e. PRICEFIGHTERS

The PRICEFIGHTERS maintained that the clear establishment of review responsibilities prevented duplication of effort and/or omission of effort which allowed them to concentrate on only the necessary requirements and saved them valuable time. [Ref. 17]

The contacts branch responsible for defining the Alpha Acquisition process has been nominated for awards such as "Special Act Awards" and other Federal Government awards. Other parts of the NAVAIR-02 organization have expressed the desire to be part of an Alpha Acquisition. Producing a new and creative idea such as Alpha Acquisition at NAVAIR has resulted in other divisions and branches coming up with their own new and innovative ideas. This can only foster stronger morale and more creativity.

3. Drawbacks

a. Honesty

Defense contractors hate long-lead times just as much as the Government. It means added cost, manpower, updated data requirements, and a greater degree or volumes of extra effort they would rather avoid. If a contractor decides not to be honest and upfront during the negotiations of an Alpha Acquisition contract, then eventually the Government can no longer use this process and the contractor will be forced to return to the long-lead times of the "routine" process. It becomes a lose-lose situation for everyone involved. In an interview with the researcher, Mr. Bruce Sharp, the PCO, said "We are taking a chance in trusting the contractor during negotiations. My first offer is my best number and the contractor must realize this during an 'Alpha' negotiation." [Ref. 16] Anytime a contractor knows the Government does not

have all the time in the world, the Government runs the risk of not getting the "best price" because the contractor knows he can "wait out" the Government.

If the contractor comes to the negotiations table with the mindset that he is not going to commit fully to the process, then Alpha Acquisition could fail in achieving a fair and reasonable price for the Government, which is a critical requirement. Every step is upfront, and when a question is directed to either side it must be answered truthfully. If not enough hours have been allocated in a contractor's proposal, the contracting officer cannot just allow himself to accept these hours and expect the contractor to fend for himself. He must ensure the contractor can complete the job. Trust on both sides, and a concrete working relationship is necessary. Bruce Cwalina, the branch head responsible for the acquisition, maintains that:

Alpha Acquisition is a lot of different things, but it is not a "license to steal." It is a break from traditional barriers and traditional waiting times. It is being flexible and responsive to the customer. If the contractor has an FPRA and has correctly completed specific forms such as weighted guidelines, then there may be some basis for accepting their proposal. Obviously, some ground rules must be set. [Ref. 12]

Unfortunately, there are contractors unworthy of the type of trust involved with this type of procurement. Alpha Acquisition requires a team effort and cannot be compromised by a contractor who sees this as an opportunity for an "easy" profit.

b. Time

Another drawback is the lack of time team members have to review actions before they provide input on the

Contract. Alpha Acquisition requires quick and accurate responses from its players. With anything that is hurried, there is the possibility that things are going to be missed or not completed as thoroughly as possible. Areas such as analysis and review, if done too quickly may lead to problems as the contract progresses, and even after award. If Alpha Acquisition is to be implemented then, senior procurement personnel with experience must be utilized to ensure quality of review. An inexperienced contract specialist should not be given the responsibility for this process. Alpha Acquisition requires motivated, talented and well-educated and trained individuals who are self-starters. These contracting individuals must be empowered to make decisions without fear of reprisal and possess the abilities to make a deal. The technical team must be empowered to make technical and programmatic decisions felt to be in the best interest of the Government, also without fear of reprisal.

c. "Other" Workload

Another major concern in taking on an Alpha Acquisition is the "other" workload a contracting officer and his/her specialists face while working on an Alpha Acquisition. Alpha Acquisition is labor intensive and requires constant oversight during the procurement. It is a drop everything "fire drill" and should be approached as such. It requires the contract specialist to be involved in only this procurement for an extended period of time. Management needs to ask themselves, "Who is doing the other work?" while an Alpha Acquisition is being performed by a PCO and his/her specialists?

d. Agency Relationships

Another thought to consider in applying Alpha Acquisition is the relationships the agency has with other agencies needed to be on the team. It is not always easy to rely upon other Navy offices and Government agencies to assist in making your new way of doing business work. Individuals are usually resistant to change, especially if someone else appears to be the beneficiary. Getting the cooperation of those over whom NAVAIR had no direct control required a "good selling job" on its benefit to the agencies providing the assistance. High levels of upper management from each agency must actively support the effort. If one required player does not want to give his/her best effort for whatever reason, then the whole process fails. One weak link is all it takes. That kind of complete unity can be very difficult to achieve. Further supporting the requirement for high level management involvement, is the fact that no higher priority can intercede during the process. If a team member has to set the Alpha Acquisition aside for a higher priority job then again, the system fails. All members must be fully committed.

4. Tiger Team

A theory that is being explored at NAVAIR is the idea of an Alpha Acquisition contract tiger team that is called in only for specific "Alpha" procurements. Certain time constraints and dollar thresholds consistent with NAVAIR policy would be required to attack a particular procurement designated for the "Alpha" process. The threshold of dollar amounts for Alpha Acquisitions is an unresolved issue at this time but it is obviously for large dollar value procurements. The "Alpha" team would have to be adequately staffed with a GS-15 as the PCO and multiple GS-13s to handle the intra- and

inter-agency cooperative efforts necessary to ensure that the required expertise and training requirements are met. The team must be fully proficient in contracting and related functions, but not necessarily requiring the expertise of a particular program or contractor's system. One of the drawbacks of a tiger team, is the impact on the morale of personnel not involved in the Alpha Acquisition, but that have jurisdiction over that particular program. If an "Alpha" tiger team is called in to handle one of the primary procurements, the division that usually handles the procurement may feel slighted at the invasion of its territory. Also, much of the corporate knowledge and existing business relationships would be lost by calling on a separate team to handle one specific procurement, because contracting relationships would have already been established beforehand.

5. Further Applications

Can this process be used by other procurement activities? Alpha Acquisition was developed for NAVAIR's one specific procurement. It was not developed with other agencies in mind. However, there is much that other agencies can learn by what has been done at NAVAIR. In an interview with the researcher, Mr. Tom Florip, the Division Director responsible for the procurement, said "Other organizations should look at the process and take what pertains to their particular procurement." The process is not meant to work everytime for every procurement, but rather it is adapting to the environment and trying to reduce the time without reducing the quality of the procurement. NAVAIR believes the results achieved are as good as the "business as usual" approach, just quicker.

Major systems commands such as the Naval Sea Systems Command (NAVSEA), the Space and Naval Warfare Systems Command

USPAWAR and the Marine Corps Systems Command MARCOSYSTEM might be the only procurement organizations within the Navy to benefit from the process NAVAIF has developed because procurement requirements under 10 million dollars might not warrant this type of attention. Few activities outside of major systems commands handle procurements of this magnitude.

If a smaller buying activity such as a Fleet and Industrial Supply Center (FISC) were interested in the condensed lead times to satisfy their customers, they could consider the theory behind the relationships fostered by NAVAIF. A FISC could establish a liaison with each of its agency customers -- single individuals with whom they would always interface. This would be necessary at a FISC, because every single member of the team would be outside the FISC, except for the contracting personnel. Relationships would be their most critical element.

6. Parameters

Alpha Contracting can only be attempted if certain parameters are already in place. These parameters must be seriously considered before this type of procurement is even an option. The following should be considered:

- (a) A pre-planning conference must be held to ensure everyone is onboard with the focus and short lead times involved.
- (b) Providing the background, timeframes and milestones, the data available, and the spreadsheet format are the critical elements in early discussions.
- (c) A thorough and complete statement of work is required that is well-defined and easily interpreted.
- (d) Team leaders must be identified early and have defined tasks and roles.

- e) An on-site Government review team is necessary at the contractor facility during fact-finding.
- f) Every member of the team must be extremely capable, available and present for the entire fact-finding trip.
- g) Trust in the contractor from the start and the contractor's trust in the Government is necessary.
- h) Ensuring strong upper management support early on in the process and dedicated individuals assigned to the program are paramount to the procurement's success.
- i) A strong relationship with other agencies involved and open lines of communication with all players.
- j) After the contract is awarded, a review meeting by all agencies involved should be required to improve the process and detail lessons learned.
[Ref. 17]

The progress of this existing Alpha Acquisition contract should be monitored to ensure it is a working and successful agreement. Time and the execution of the contract will tell the relative success of this Alpha Acquisition procurement as well as future duplication of the effort.

D. SUMMARY

The awarding of a contract of this magnitude in such a short period of time is a remarkable achievement. It involved strong upper management support as well as dedicated individuals who had the knowledge, ability and authority to make immediate decisions. It involved a finalization process of the Statement of Work by the contractor and the Government to ensure that there was a clear understanding of the requirement and the resulting RFP and Contract Data

Requirements List (CDPL). The Government and the contractor worked cooperatively to ensure that the proposal supported the requirement. The combination of the NAVAIR technical review team and DPRO/DCAA audit team resulted in a single coordinated review of the proposal. The contract award came about because the team concept worked and worked efficiently. Alpha Acquisition requires strong motivated individuals with the ability and empowerment to carry out this type of effort. Alpha Acquisition can definitely assist in streamlining the existing process into a more condensed, efficient process for NAVAIR. How other agencies can benefit has yet to be determined.

NAVAIR has created an environment to allow creative solutions. Alpha Acquisition works because of the team approach and the level of organizational commitment. It demonstrates that agencies can impact their own lead times by sheer determination and creative solutions. The result is improved fleet readiness. NAVAIR is right on track with its successful effort of acquisition streamlining. All those involved in this excellent example of total quality leadership should be applauded for their efforts.

IV. ACQUISITION REFORM

There have been countless panels and studies calling for acquisition reform, and it has never happened. This time it's going to happen. It will not happen without blood, toil, sweat and tears, but it will happen -- Defense Secretary Bill Perry [Ref. 18:p. 27]

A. INTRODUCTION

Today's acquisition system is characterized by a complex web of laws, regulations, and policies, adopted for admirable reasons, but it has become a myriad of bureaucracy which has brought the process to a crawl. [Ref. 19:p. 8] DOD, in the midst of the most severe budget cuts since immediately after World War II, is being asked to tighten its belt, eliminate marginally useful operations and functions and to cut overhead. Such severe budget reductions are resulting in a renewed enthusiasm to reform the acquisition process. DOD is finding it impossible to successfully complete its mission with a "business as usual" approach given the degree of the reductions in staff and resources with which they must contend. Acquisition reform, therefore, is critical to mission success. Every knowledgeable person realizes this. The challenge is how to do it. Charles Fowler wrote in an article entitled "Defense acquisition: grab the ax" that:

The defense acquisition system has been structured to achieve the impossible: the elimination of risk. Drastic improvements in the acquisition system are DOD's most important need. Without them, an ever increasing part of the budget will be spent on "overhead". The job cannot be accomplished solely from the top down. [Ref. 20:p. 57]

In an interview with the researcher, Donna Richbourg, Assistant Deputy Under Secretary of Defense for Acquisition Reform, Systems Acquisition, stated "Reduced funding is going to force these changes on DOD. As funding decreases, we will be forced to find new ways to improve the system and do more with less." [Ref. 21]

The present day acquisition reform movement is led by Colleen Preston, the Deputy Under Secretary of Defense for Acquisition Reform. Under her leadership, the reform movement has been taking off. As a previous author of acquisition legislation in Congress, she had been taking notes for the last 10 years. She has been hailed as someone who has heard and seen the problems within the acquisition process, and is poised to take action. DOD and Colleen Preston have this vision:

DOD will institutionalize: business processes that facilitate affordable and timely delivery of products and services that meet the warfighter's needs; and an environment for continuous process improvement. [Ref. 22]

This vision is for DOD to move from an "industrial age" acquisition system to an "information age" acquisition system. DOD plans to execute this plan by totally reengineering the acquisition process, step by step. Preston believes:

The world in which DOD must operate has changed beyond the limits of the existing acquisition system's ability to adjust or evolve. It is not enough to improve the existing system. There must be a carefully planned, fundamental reengineering of each segment of the acquisition system so we can respond to the demands of the next decade. [Ref. 19:p. 8]

Those in the reform movement have begun by targeting improvements that will yield immediate and substantial gains. The policies to reach these goals set and the movement is underway. The Federal Government has tasked itself to reform its procurement policies by:

- 1) Giving priority to commercial specifications and products;
- 2) Investing in new technologies to facilitate their commercialization;
- 3) Procuring innovative products and services incorporating leading edge technologies;
- 4) Evaluating bids and proposals on a life-cycle basis rather than initial acquisition price;
- 5) Limiting government acquisition of rights in technical data;
- 6) Using performance-based contracting strategies that give contractors design freedom and financial incentives to be innovative and efficient. [Ref. 9]

Using these guidelines, the recommendations from Vice President Al Gore's National Performance Review (NPR), the Defense Science Board Task Force on Acquisition Streamlining and the recommendations of the Advisory Panel on Streamlining and Codifying Acquisition Laws (Section 800 Panel), DOD has developed its vision to reengineer its acquisition system.

The present day major goals of DOD Acquisition Reform are to:

- 1) Enhance the Needs(Requirements) Determination Process
- 2) Improve the Systems Acquisition Process
- 3) Improve the Procurement Process
- 4) Improve the Contract Administration

- 5) Improve Government Contract Terms and Conditions (Legal, Pricing and Finance Issues)
- 6) Change the Culture
- 7) Define Measures of Success - Metrics
- 8) Provide Enabling Actions [Ref. 23]

Acquisition reform goal number three, "Improve the Procurement Process," is the impetus behind improvements to the current process. It includes the adoption of "Best Practices" and is being implemented in steps. The first step was signed on 14 October 1994, by President Clinton, as the Federal Acquisition Streamlining Act of 1994 (FASA-94).

B. FASA 94

FASA 94 was an extremely large first step in the reform movement under Colleen Preston. This legislation was the most extensive and encompassing acquisition legislation in over a decade. With one signature from President Clinton, 225 acquisition based statutes have been repealed or substantially modified, and procurement laws have been amended to promote uniformity within DOD and civilian procurement agencies. [Ref. 8] Old standards like the Walsh-Healy Act have had key provisions eliminated, while newer rules like the Truth in Negotiations (TINA) have been revised to apply to fewer procurements. [Ref. 24] The reform goals used as the basis for writing the legislation were to streamline the acquisition process by reducing paperwork burdens through revision and consolidation of acquisition statutes. The elimination of redundancy in present acquisition laws while providing consistency is the proposed result.

Some of the highlights of this new legislation are the requirement for electronic commerce procedures ECP, the increase to the simplified acquisition threshold, the use of micro-purchases and the rules governing them, and the new definition of commercial items. ECP requires the Government to make a transformation from a cumbersome paperwork system to a computer-based system readily available to private sector users, including small business. These electronic commerce procedures would inform the public about a broad array of contracting opportunities and permit electronic submission of bids and proposals in many procurements. The system could be used by anyone with a personal computer and a modem.

The long overdue increase of the simplified acquisition threshold to \$100,000 is crucial in streamlining the process of making small purchases. The increase will help to reduce the amount of staff time needed for such small purchases which will result in substantial savings for the Government. It also streamlines the procedures for providing notice of and responding to contracting opportunities at or below \$100,000.

Micro-purchases (purchases less than \$2500) are now exempt from small business reservations and the Buy American Act. This will be crucial in the elimination of paperwork requirements and changes the Commerce Business Daily requirements which should result in a large dollar savings to the Government.

Commercial items have been redefined to encourage the acquisition of commercial end-items and components including the commercial products that are modified to meet Government needs. The purchase of proven products, such as commercial and non-developmental items, can eliminate the need for research and development, minimize acquisition lead time, and reduce the need for detail design specifications and expensive testing.

The implementation of this Act is required to be

performed with 210 days of signature and the current goal date is 26 April 1994. The expected results from FASA 94 are reduced paperwork, reduced procurement lead-time, reduced costs, reduced Government overhead, a fostering of a national industrial base and better quality in Government buys. [Ref. 23]

FASA 94 is in the process of being interpreted, reviewed for agency comments and then implementation language will be written. The total effect of this legislation has not been felt by the procurement world at this time but FASA-94 will have a lasting effect. It is the first step in improving the current "ailing" acquisition system. Time will tell if these goals are met, but this first step by the reform movement has been a large and positive one.

C. CULTURE

Donna Richborg, Assistant Deputy Under Secretary of Defense for Acquisition Reform, Systems Acquisition, stated in an interview with the researcher:

The idea of changing the culture is one of the most challenging aspects we are facing in acquisition reform. We need to make the Federal and DOD acquisition regulations and the DOD systems acquisition policies better to facilitate the acquisition process. We need to train and educate procurement personnel to be constantly looking for new solutions and answers to the acquisition problems we face everyday. [Ref. 21]

The rewriting of the FAR, DFARS, DODD 5000.1 and DODI 5000.2 is the next step in changing the culture. Balancing gains to further a "Government interest" versus the "cost of implementation" is one of the problems.

It is a goal of the changing culture reform movement to build an environment for continuous improvement, including improving supplier involvement. This is the meeting point of where NAVAIR began with the idea of Alpha Acquisition. NAVAIR wanted to include the contractor, and the contractor wanted to be included on the acquisition team. This was definitely a cultural change of having the contractor on your team vice the typical adversarial relationship.

Another way that NAVAIR is working to integrate a team concept in their "culture" is with the concept of Integrated Program Teams (IPT). IPT is a new method of streamlining the acquisition process that is being considered by higher levels of management at NAVAIR. IPT is the concept of grouping all the major acquisition players from an activity in the same physical location, such as in a program office, into a cohesive group of specialists to support a program. This concept can be extremely effective because individual specialists see the efforts of other members of their team and the daily issues they face. Currently at NAVAIR, personnel from the various key specialties are located within their own specialty isolated from other specialties. An example is that all contract specialists are in a department physically located together, as are all the engineers, lawyers, and logisticians. Under IPTs, all personnel working on F/A-18 procurements, for example, would be part of a cohesive F/A-18 program team that would act together in support of that particular program and be co-located. One advantage of IPTs is the development of a team spirit which would foster unity in their efforts, rather than separate agendas respective of different specialties. Hopefully, the F/A-18 team would be working to find ways to resolve issues and problems for the entire program, other than individuals only ensuring the requirements of their own specialty are met. Another benefit of IPTs is the time saved by hundreds of personnel not having

to travel outside their own offices to conduct business. All the key players would be within the same office and working toward the same goals.

The drawback of IPTs is the loss of training that presently occurs in the daily interaction of specialists with others in their field. With IPTs, junior contracts interns would not have the benefit of more experienced personnel in their field to learn from and emulate on a daily basis. The senior procurement official in the program office would need to ensure that procurement personnel received proper training and that there is continued interaction between procurement personnel, to avoid the loss of knowledge and training available to the contract specialist due to his no longer being co-located with other contracting personnel. Another drawback is the potential that loyalty toward the team would become more important than fulfilling the legal requirements faced by the specialist. For example, the fact that contracting personnel would be involved intensely in the daily problems faced by the program office and would be evaluated by the program manager, could cloud or change the specialists judgment to follow the wishes of the program office versus the requirements of procurement regulations.

What this means for NAVAIR culture is a move from the traditional matrix organization to a new system that should be more effective. In any cultural change, training is required as well as emphasis on the positive effects of the change to ensure a smooth transition.

In October 1993, NAVAIR, in an effort to streamline the existing procurement process, decided to take full advantage of the IPT concept. The Naval Aviation Acquisition Operations Council (AOC), approved the following actions to modify the procurement system:

- 1) reinforce the role the Program Manager (PM) must perform to ensure the quality and timeliness of contracts;
- 2) empower those individuals assigned to the PM's Procurement Team (PT) to present their competency leaders positions at procurement meetings;
- 3) promote early and continuous involvement by all members of the PM's PT from conduct of the first planning meeting to contract award, with emphasis on the development of the key inputs to the procurement.
- 4) integrate this process with the TEAM's management information system (PMIS) [Ref. 25:p. 2]

NAVAIR has embraced this new approach which eliminates the preparation and tracking of a Procurement Request (PR) throughout the command. This type of team effort is the ideal of the reform movement. Donna Richbourg stated in an interview with the researcher:

NAVAIR is going to the IPT approach with the move to PAX River, Maryland. It makes sense that the people who are needed to do the job be centralized and on the team. This change to the matrix organization at NAVAIR will be crucial in how NAVAIR does business and how the players view their roles within NAVAIR. It is a major change from today's matrix which has clear lines between the program office and staff roles. [Ref. 21]

In an interview with the researcher, Captain Parry said, "IPT, integrated teaming, in a downsizing environment is where we are headed at NAVAIR. It is a necessary progression for the contracts process." [Ref. 13]

D. SUMMARY

Making reform a reality is something that will not and cannot happen overnight. DOD has started the process of

reform by targeting certain segments that promise to yield immediate and substantial improvements in the critical areas outlined above. History points out success will not come easily for a system that has an unbroken record of success in resisting and outlasting attempts at change, and it has a capacity for resistance which is still strong. The problem lies in the implementation and institutionalization of acquisition reform. Areas such as cultural changes are tough to bring about but reap great benefits when implemented properly. Those organizations whose culture encourages flexibility and adaptation will ultimately be the most successful.

V. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

With current right-sizing initiatives underway throughout the Navy, DOD, and the Federal Government, any initiative that offers savings of effort, costs, and time must be explored. The Alpha Acquisition approach is a framework for expediting the acquisition process. With repeated attempts at Alpha Acquisition, the alpha process can and will produce better and better results. Efforts are currently underway to utilize Alpha Acquisition for the second time in the negotiation of a fiscal year production aircraft procurement for H-60 aircraft. Acquisition Reform personnel should review this process and evaluate how it can positively impact on their own efforts to improve the current system.

B. CONCLUSIONS

1. Alpha Acquisition meets a need. The Navy needs to be able to shorten procurement lead times without losing contract quality or incurring additional risk. Alpha Acquisition successfully meets this need that exists not only at NAVAIR, but DOD-wide. DOD should look to implement Alpha Acquisition type efforts at other procurement facilities. At the very least, lead times will improve while an even greater potential exists for improvements in Government-contractor relations and "best practices" implementation.

2. Alpha Acquisition demands a team effort. As discussed in this thesis, Alpha Acquisition depends on internal and external teamwork. DOD should explore implementing this kind

of team approach with other contractors. Are contractors, industry-wide, willing to commit to the straightforwardness required of such an effort?

3. Reform must come from the bottom up. Who better than the organizations who work everyday with the requirements, set upon them by Congress and the Pentagon, should reform the procurement system. The people working in the actual jobs are the most knowledgeable about the specific tasks needing improvement. Personnel who actually have hands-on contact with procurement, who have a stake in the process, are the very individuals who through sheer determination and innovation can make the system more efficient and responsive. This "bottoms up" approach can be one of the most effective ways to reform a system and in many cases can provide ideas for implementation DOD-wide.

4. The present day acquisition process is not effective and therefore acquisition streamlining is crucial to DOD's success in the future. The goal of streamlining the acquisition process is to focus on continuous process improvement and ensure that the acquisition system is responsive to customer needs in a timely fashion. NAVAIR would not have had to create Alpha Acquisition if current streamlining techniques were effective, successful, and easily implemented. If NAVAIR felt a need to reinvent the process, then there exists a need to streamline the process DOD-wide. Any agency that offers a solution to the current problems of the acquisition process should be explored and evaluated. Only by continuous evaluation of the solutions offered in the field will process improvement become a reality.

C. RECOMMENDATIONS

1. Empowerment of the acquisition work-force is a must if current streamlining initiatives are to be effective. Many ideas discovered during the Alpha Acquisition process are currently on the acquisition reform table and will be implemented in the near future. One such idea is the empowerment of the acquisition workforce. One of the key initiatives in Alpha Acquisition is to have trained, motivated personnel who are empowered to make immediate decisions without fear of reprisal. NAVAIR is convinced that ensuring strong upper management support for their people, who are knowledgeable and have the ability and authority to make decisions, is one of the keys to a successful organization.

2. We must return to a system in which practical thought processes and results-oriented theories are put into practice.

Alpha Acquisition is one of NAVAIR's attempts at getting back to results-oriented contracting. NAVAIR personnel have been continually formulating practical ideas to improve the process and Alpha Acquisition is the result of that practical thought process. One of the underlying theories of Alpha Acquisition is that of the "bottom line," a contract award before expiration of funds, is the goal. Ensuring that policies and processes are structured so the fewest number of key players are involved, and duplication of effort is minimized is a prime example of needed practical thought process implementation.

3. It is crucial to provide incentives for acquisition personnel to be innovative, while providing appropriate guidance and the benefits of lessons learned. Anytime an agency or command has new ideas in acquisition, they need to

inform the rest of DOD. Successful implementation of innovative and creative initiatives to change the process need to be shared, so that "best practices" can be implemented by all organizations. Many procurement officials who have been around since the 1970's seem to embrace acquisition reform but feel they have heard "this music before." NAVAIR has a young workforce with an effective internship program where many of the contract specialists are under the age of 30. These young professionals have not heard the music before and are bringing in new and creative ideas, which need to be heard and implemented.

4. We should be striving to find the most cost-effective solutions to the everyday problems of the typical contract specialist. The implementation of Alpha Acquisition is due to recurring problems that are faced by contract specialists everyday. These are everyday problems such as the long lead times for audits to be accomplished and software incompatibility problems. Procurement personnel can effectively find solutions to these problems through the implementation of processes such as Alpha Acquisition. Streamlining can only be accomplished if these everyday problems are identified and creative solutions are offered by the contract specialists themselves.

D. ANSWERS TO RESEARCH QUESTIONS

1. Primary Research Question

What effect could Alpha Acquisition have on the streamlining procedures being implemented at most contracting facilities today?

Alpha Acquisition is the embracement of a streamlined streamlining by NAVAIR. NAVAIR is following what it believes is the way streamlining and reform should be headed and has implemented its own ideas. Alpha Acquisition has an effect on current streamlining initiatives through its improvements to the process and through how other organizations view these new and innovative ideas. Any contracting facility can look at this specific procurement and take away many of the positive ideas and accomplishments as clues to follow at their own facilities. Most contracting facilities are taking some actions to improve the system but usually are not doing enough. These organizations can look at Alpha Acquisition and see that these types of internal improvements to the process do work and can only help to improve and shorten the existing system.

2. Subsidiary Research Questions

a. What is Alpha Acquisition and How Did It Come About?

Alpha Acquisition is defined as the coordination of the Government and the contractor into one organized group with the objective of getting under contract a specific procurement in the shortest time possible and at a fair and reasonable price. It is based on a team approach, in the true sense that all players, industry and Government, are on the same side, working for the same goals. It is also based on the theory that once those barriers of "us versus them" are removed from the process, solutions to solving long procurement lead times will evolve naturally. It is an agreement to put typical adversarial differences aside and work closely toward that goal. Alpha Acquisition came about

out of the necessity to award a contract in a short period of time without using an undefinitized contract vehicle.

b. What significant role can this method of contracting play in Acquisition Streamlining efforts currently being undertaken by contracting organizations today?

Alpha Acquisition is an example of how procurement organizations can find effective solutions to everyday procurement problems. Current streamlining efforts such as the current reform movements and the new FASA 94 legislation are also playing significant roles in how contracting organizations view this changing environment. Contracting organizations see this type of effort and realize they too can make effective changes through innovative and creative ideas. Contracting organizations can look at the emphasis Alpha Acquisition placed on the elimination of duplication of effort as a prime example to improve the system. Alpha Acquisition's team approach and the concurrent efforts of its players, is another example as well as upfront, visible management support. Critical factors such as commitment and early involvement, are key factors used in Alpha Acquisition, that a contracting organization can emphasize at their own facilities.

c. What are the lessons learned thus far from the application of Alpha Acquisition?

One of the major lessons learned, a command should take from the Alpha Acquisition process is the implementation of innovative and creative ideas of their personnel. Alpha Acquisition, as an innovative and creative solution, has contributed to the reform process whether NAVAIR or any other

command realizes it or not. Individual commands should know what they can do to reform the process themselves. By looking at their own small picture, they can help the big picture.

A brief list of some of the lessons learned through Alpha Acquisition show what NAVAIR did differently:

1. Contractor and Government contracting personnel were included in the procurement process from the beginning.
2. The contractor was willing to proceed with a process that was unconventional.
3. The contractor and Government agreed to be totally honest with each other and to trust each other.
4. Both the contractor and Government took ownership of the process.

d. How might these lessons be effectively applied to other procurement organizations?

If DOD and the Navy are to continue to be successful in these years of cutbacks, other organizations need to be made aware of "what works" and "what doesn't" and why, so that lessons learned by one agency can be embraced by all, further eliminating duplication of effort. Communicating between agencies that streamlining can actually work would likely further encourage and inspire other agencies to find their own solutions in similar ways. In the end, these cost-effective solutions to shorten lead times will carry the DOD to new heightened effectiveness. If other contracting facilities are willing to look at the Alpha Acquisition process and select the ideas that will work for them, then the process was a success. The sharing of these ideas and lessons learned can be even more successful than the process itself. NAVAIR should be commended not only for this accomplishment but for developing an organization in which new ideas can flourish and achieve such feats.

E. AREAS FOR FURTHER RESEARCH

Acquisition Reform is headed in the right direction but each activity must take it upon itself to come up with new initiatives such as Alpha Acquisition to add to the ever-ending cycle of improvement to the acquisition process. An area for further research is to compare and contrast Alpha Acquisition with another procurement reform initiative from another contracting facility. Another area is to look at NAVAIR's Alpha Acquisition process at the end of the life of this current contract and see if it was successful throughout the contract's life. Did other problems present themselves later in the life of the contract, due to the speed in which it was awarded? Are the next attempts at duplicating the Alpha Acquisition process as successful?

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